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INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE AGREEMENT

dated as of

January 1, 1981

BETWEEN

THE CONNECTICUT BANK AND TRUST COMPANY, AS TRUSTEE,

Lessor

AND

HOOSIER ENERGY RURAL ELECTRIC
COOPERATIVE, INC.,

Lessee

Filed and recorded with the Interstate Commerce Commission pursuant
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EQUIPMENT LEASE AGREEMENT

This EQUIPMENT LEASE AGREEMENT dated as of January 1, 1981, is between THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, with its principal place of business at One Constitution Plaza, Hartford, Connecticut 06115, not individually but solely as Trustee under the Trust Agreement (as defined in Section 1 hereof) and its successors and assigns ("Lessor"), and HOOSIER ENERGY RURAL ELECTRIC COOPERATIVE, INC., an Indiana corporation with its mailing address at P.O. Box 908, Bloomington, Indiana 47401 (the "Lessee").

W I T N E S S E T H:

SECTION 1. DEFINITIONS. Unless the context otherwise requires, the following terms shall have the following meanings for all purposes of this Lease and shall be equally applicable to both the singular and the plural forms of the terms herein defined:

"Appraisal Procedure" shall mean the following procedure for determining the fair market sales value or the fair market rental value, as the case may be, of any property: If either party hereto shall have given written notice to the other requesting determination of such value by the Appraisal Procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 10 Business Days after such notice is given, each party shall appoint an independent appraiser within 15 Business Days after such notice is given, and the two appraisers so appointed shall within 20 Business Days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 20 Business Days after such notice is given, either party may apply to any court having jurisdiction to make such appointment, and both parties shall be bound by any appointment made by such court. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the fair market sales value and/or the fair market rental value, as the case may be, of any property within 60 days after his or their appointment. If the parties shall have appointed a single appraiser, his determination of value shall be final. If three appraisers shall be appointed, the values determined by the three appraisers shall be averaged, and, unless such average shall equal the value determined by the middle appraisal (in which event such average shall be final), the determination which differs most from such average shall be excluded, the remaining two determinations shall be averaged and such average shall be final.

"Basic Rent" means all rent payable pursuant to Section 3(b) hereof for the Basic Term and all rent payable pursuant to Section 20(a) hereof for the Renewal Term.

"Basic Term" means the period commencing with the Basic Term Commencement Date and ending the eighteenth anniversary of the Basic Term Commencement Date, both dates inclusive.

"Basic Term Commencement Date" means April 1, 1981.

"Business Day" means any day other than a day on which banking institutions in the States of Connecticut or Indiana are authorized by law to close.

"Capitalized Expenses" means expenses of the type specified in Section 17(a) of the Participation Agreement which are funded pursuant to a Drawdown Notice under Section 3(c) of the Participation Agreement.

"Certificate of Acceptance" means any Certificate of Acceptance, substantially in the form of Exhibit B hereto, executed by Lessee for the purpose of accepting Items of Equipment hereunder.

"Default" means a condition or event, which, with the passage of time or the giving of notice, or both, shall constitute an Event of Default as defined in Section 14.

"Depreciation Adjustment Date" means April 1, 1982.

"Equipment" means the gondola coal cars described in Schedule A hereto and such additional Items of Equipment as are added to the provisions of this Lease pursuant to Lease Supplements, together with any and all accessions, additions, improvements and replacements from time to time incorporated or installed therein which are the property of the Lessor pursuant to the terms of this Lease.

"Equipment Cost" means (i) the total cost paid by Lessor pursuant to Section 4 of the Participation Agreement for or in connection with each Item of Equipment, including sales tax and use tax invoiced by the Manufacturer, delivery, storage, and transportation charges plus (ii) Capitalized Expenses. In determining the Equipment Cost of any particular Item of Equipment, Capitalized Expenses shall be allocated to each Item in proportion to the ratio of the costs of such Item of the type referred to in subsection (i) to the costs of such character of all Items of Equipment.

"Escrow Gains Available" shall mean Escrow Gains, as that term is defined in the Indenture, which are immediately available on any date for which any determination is to be made for distribution by the Security Trustee to holders of Notes on account of interest thereon, as of such date.

"Event of Default" means any of the events referred to in Section 14 hereof.

"Event of Loss" with respect to any Item of Equipment means any of the following events: (i) damage to such Item of Equipment to an extent rendering repair, in the opinion of Lessee, impracticable or uneconomical; (ii) the condemnation, confiscation, theft or seizure of, or requisition of use of such Item of Equipment, or such part thereof as shall render repair or replacement, in the opinion of Lessee, impractical or uneconomical, if such condemnation, confiscation, theft, seizure or requisition of use results in the loss of use or possession of such Item of Equipment, or such part, by Lessee for a period extending beyond the Basic Term; (iii) alterations, modifications or additions to such Item of Equipment being required by law or by any governmental authority having jurisdiction if, in the opinion of Lessee, such alteration, modification or change would make normal operation of such Item of Equipment uneconomical and imprudent, or with respect to such Item of Equipment, make this Lease or any material provision hereof unenforceable or impossible of performance or impose on Lessee an unreasonable burden or excessive liability.

"Indenture" means the Trust Indenture and Security Agreement dated as of January 1, 1981 between Lessor and the Security Trustee as the same may be amended, modified and supplemented from time to time in accordance with the provisions thereof.

"Interim Rent" means all rent payable pursuant to Section 3(a) hereof.

"Interim Term" means, for each Item of Equipment, the period commencing on the date Lessee accepts such Item of Equipment hereunder pursuant to a Certificate of Acceptance and ending on the date immediately prior to the Basic Term Commencement Date, both dates inclusive.

"Investor" means each of the Owner and the Lender and "Investors" means the Owner and the Lender, collectively.

"Item of Equipment" or "Item" means a single unitary item of Equipment as separately listed in Schedule A attached hereto.

"Lease Payment Dates" for the Basic Term means the first day of October and the first day of April of each year commencing with October 1, 1981 and ending with April 1, 1999. "Lease Payment Dates" (a) for the Interim Term means April 1, 1981, and (b) for the Renewal Term means the last day of each Lease Period during such Renewal Term.

"Lease Periods" for the Basic Term means each of the 36 consecutive semiannual periods in the Basic Term, the first such

period commencing on the Basic Term Commencement Date and ending on the first Lease Payment Date and thereafter each such Lease Period ending on a Lease Payment Date. "Lease Period" for the Interim Term, with respect to each Item of Equipment, shall mean the period commencing on the date such Item of Equipment is accepted by Lessee hereunder and ending on the date immediately prior to the Basic Lease Term Commencement Date. "Lease Periods" for the Renewal Term shall mean each of the five consecutive six-month periods in such Renewal Term, the first such period commencing on the first day of such Renewal Term and the succeeding periods commencing on the same date of every sixth month in such Renewal Term thereafter.

"Lease Supplement" means a Lease Supplement, substantially in the form of Exhibit A hereto, entered into between Lessor and Lessee for the purpose of incorporating additional Equipment hereunder, eliminating Equipment herefrom, setting or confirming any change in Basic Rent or the items or amounts comprising Equipment Cost or the assumptions set forth in Section 3(e) hereof or in Stipulated Loss Value and Termination Value, or for any other purpose agreed to by Lessor and Lessee with, if required, the consent of the Security Trustee. Each reference hereto to "this Lease Agreement", "this Lease", "this Agreement", "herein", "hereunder" or other like words includes this Equipment Lease Agreement, any Lease Supplement and any other amendment and supplement hereto.

"Lender" means the Lender listed in Schedule A to the Participation Agreement and its successors and assigns.

"Liens" means liens, mortgages, encumbrances, pledges, charges and security interests of any kind.

"Manufacturer" means Ortner Freight Car Company or its successors or assigns.

"Mortgage" shall mean that certain Supplemental Mortgage and Security Agreement, dated as of March 15, 1978, among Lessee, the United States of America (the "Government") acting through the Administrator of the Rural Electrification Administration (the "REA") and Louisville Bank for Cooperatives, as the same shall be amended from time to time.

"Notes" means the Secured Notes as the term is defined in, and which shall be from time to time issued and outstanding under, the Indenture.

"Operative Documents" means the Participation Agreement, the Purchase Order Assignment including the Consent of Manufacturer (as defined in the Participation Agreement), this Lease, the Indenture, the Trust Agreement and the Tax Indemnity.

"Owner" means New England Merchants Leasing Corporation B-7 and any transferee of all of the Owner's right, title and interest in and to the Trust Agreement, the Trust Estate and the Participation Agreement in accordance with the Trust Agreement and the Participation Agreement.

"Owner Interest" means the Owner Interest as the term is defined in Section 3.01 of the Trust Agreement.

"Owner's Net Return" means the Owner's Net Return as provided pursuant to Section 3(f)(I) hereof.

"Participation Agreement" means the Participation Agreement dated as of January 1, 1981 among Lessee, the Lender, Lessor and the Security Trustee, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof.

"Permitted Lien" means a Lien permitted by the provisions of Section 6 hereof.

"Renewal Term" means any 30 month period following the end of the Basic Term or any Renewal Term with respect to which Lessee has the option to renew this Lease pursuant to Section 20(a) hereof.

"Rent" means all Interim Rent, Basic Rent and Special Rent.

"Rent Differential" means the Rent Differential provided pursuant to Section 3(c) hereof.

"Security Trustee" means Merchants National Bank & Trust Company of Indianapolis, a national banking association, in its capacity as Security Trustee under the Indenture, and its successors and assigns thereunder.

"Special Rent" means the Special Rent provided pursuant to Section 3(d) hereof.

"Stipulated Loss Value" of any Item of Equipment as of any Lease Payment Date during the Term means an amount determined by multiplying the Equipment Cost of such Item of Equipment by the percentage applicable to such Item of Equipment as specified in Schedule B hereto opposite the Lease Payment Date on which the payment occurs. "Stipulated Loss Value" of the Equipment as of any date means the sum of the Stipulated Loss Values of all Items of Equipment as of such date.

"Supplemental Payments" means all amounts, liabilities and obligations which Lessee assumes or agrees to pay hereunder or under the Participation Agreement to Lessor or others, including Stipulated Loss Value and Termination Value payments but excluding Basic Rent, Interim Rent and Special Rent.

"Tax Indemnity" means the Tax Indemnity Agreement dated as of January 1, 1981 between Lessee and the Owner, as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof.

"Term" means the full term of this Lease with respect to each Item of Equipment, including the Interim Term, the Basic Term and any Renewal Term or Terms.

"Termination Value" of any Item of Equipment as of any Lease Payment Date during the Term means an amount determined by multiplying the Equipment Cost of such Item of Equipment by the percentage applicable to such Item of Equipment as specified in Schedule B hereto opposite the Lease Period in which such Lease Payment Date occurs. "Termination Value" of the Equipment as of any date means the sum of the Termination Values of all Items of Equipment as of such date.

"Trust Agreement" means the Trust Agreement dated as of the date hereof between New England Merchants Leasing Corporation B-7, as Owner, and The Connecticut Bank and Trust Company, or any successor Owner Trustee as the same may be amended, modified or supplemented from time to time in accordance with the provisions thereof.

"Trust Estate" means the Trust Estate as defined in the Trust Agreement.

"Trust Indenture Estate" means the Trust Indenture Estate as defined in the Indenture.

SECTION 2. LEASE OF EQUIPMENT. Subject to all the terms and conditions of this Lease, Lessor hereby leases to Lessee and Lessee hereby leases from Lessor each Item of Equipment for the Term with respect to such Item.

Lessor agrees that so long as no Event of Default has occurred and is continuing, Lessee shall have the right as against Lessor and any persons claiming by, under or through Lessor, to have, hold and enjoy, during the Term hereof as to each Item of Equipment, peaceful and quiet possession of such Item, notwithstanding the foregoing, the provisions of Sections 4 and 22 hereof shall continue to be applicable to the Lessee.

SECTION 3. RENT; RENT DIFFERENTIAL; SPECIAL RENT; SUPPLEMENTAL PAYMENTS; ADJUSTMENT; FEES AND EXPENSES; METHOD OF PAYMENT.

(a) Interim Rent. Lessee hereby agrees to pay Lessor Interim Rent for each Item of Equipment, payable on the Lease Payment Date of the Interim Term, such payment to be equal to the product of (x) .0431% of the Equipment Cost for such Item of Equipment paid from funds of the Owner multiplied by (y) the number

of days from and including the Delivery Date under the Participation Agreement in respect of such Item through the end of the Interim Term. As additional Interim Rent, whether or not any Equipment is accepted hereunder, Lessee hereby agrees to pay Lessor on the Lease Payment Date of the Interim Term the aggregate amount, if any, by which the amount of interest on the Notes payable on the Lease Payment Date of the Interim Term exceeds Escrow Gains Available.

(b) Basic Rent. Subject to any adjustment required by Section 3(c) hereof, Lessee hereby agrees to pay Lessor Basic Rent for each Item of Equipment during the Basic Term in 36 consecutive semiannual installments in arrears on the Lease Payment Dates for the Basic Term (including any Lease Payment Date on which Stipulated Loss Value or Termination Value of such Item is to be paid pursuant to the provisions of this Lease) in an amount equal to the percentage of Equipment Cost of such Item of Equipment set forth opposite such Lease Payment Date in Schedule C hereto (subject to adjustment as provided in Section 3(f) hereof).

(c) Rent Differential. So long as the Notes shall be outstanding, each installment of Basic Rent shall be increased or decreased, as the case may be, by the Rent Differential. For the purposes hereof, "Rent Differential" shall mean, as of any Lease Payment Date, an amount equal to the difference between (i) the aggregate amount of interest due and payable on such Lease Payment Date on the then outstanding Notes and (ii) the aggregate amount of interest which would have been due and payable on such Lease Payment Date on the then outstanding Notes if such Notes had borne interest at a rate equal to 15 1/2% per annum (computed on the basis of a 360 day year of twelve 30 day months). In the event, as of any Lease Payment Date, the amount stated in clause (i) of the immediately preceding sentence shall be greater than the amount stated in clause (ii) of such sentence, the amount of Basic Rent due on such Lease Payment Date shall be increased by the Rent Differential, and in the event the amount stated in such clause (i) shall be less than the amount stated in clause (ii) of such sentence, the amount of Basic Rent due on such Lease Payment Date shall be decreased by the Rent Differential. The Rent Differential provided in this paragraph (c) shall be computed in accordance with the notice given by the Security Trustee pursuant to Section 9.01 of the Indenture.

(d) Special Rent. On the Basic Term Commencement Date, Lessee shall reimburse Owner for all of the expenses of the Owner specified in Section 17(a) of the Participation Agreement other than Capitalized Expenses, and such reimbursement shall be and become Special Rent hereunder.

(e) Supplemental Payments. Lessee also agrees to pay to Lessor, or to whomsoever shall be entitled thereto as expressly provided herein, any and all amounts, liabilities and

obligations which Lessee assumes or agrees to pay hereunder promptly as the same shall become due and owing, and in the event of any failure on the part of Lessee so to pay any such amount, liability or obligation, such amount, liability or obligation shall be and become a Supplemental Payment hereunder and Lessor shall have all rights, powers and remedies provided for herein or by law or equity or otherwise in the case of nonpayment of Rent. Lessee will also pay to Lessor, upon demand, to the extent permitted by applicable law, interest on any part of any installment of Basic Rent, Special Rent or Interim Rent not paid when due for any period for which the same shall be overdue, at a rate of (i) 17-1/2 percentum per annum until April 1, 1982 and (ii) thereafter 1 percentum per annum over the highest rate payable with respect of the Notes during such period, and on any Supplemental Payment (other than any Supplemental Payment as to which interest to the date of payment is expressly provided for elsewhere in this Lease) due hereunder and not paid after demand by Lessor for the period from the date of such demand until the same shall be paid, and in the event of the nonpayment thereof, such interest shall become a Supplemental Payment hereunder.

(f) Rent Adjustment. The percentage of Equipment Cost specified in Section 3(b) hereof (herein referred to as the "Percentage"), the Stipulated Loss Values and the Termination Values were computed in part on the following assumptions: (i) 65.567863% of the Equipment Cost of each Item of Equipment will be financed with the proceeds of the Notes, (ii) the Equipment will be included within Asset Guideline Class 00.25 under the ADR system and, therefore, will qualify for a 12 year lower limit depreciable life, (iii) the maximum Federal corporate tax rate will be 46%, (iv) 97.175141% of the Equipment Cost of each Item of Equipment will be included in the tax basis of such Item for purposes of the Code and will qualify for accelerated depreciation and (v) the total amount of Capitalized Expenses will equal 2.824859% of Equipment Cost of each Item of Equipment.

(I) In the event that any of the assumptions set forth above shall prove to be incorrect on or prior to March 15, 1981 or in the event that an amendment, modification, repeal, or other change of or to the Internal Revenue Code of 1954 (the "Code") or the Federal Income Tax Regulations (the "Regulations") is adopted on or before March 15, 1981 and which causes any one or more of the assumptions in subsections (ii), (iii) and (iv) to be incorrect on the Basic Term Commencement Date, the Percentage by which Basic Rent for such Item of Equipment is determined and the percentages for the Stipulated Loss Values and the Termination Values shall be increased or decreased as necessary to preserve the Owner's net return (on the assumption that the Owner is entitled to Federal income tax benefits as the owner of the Equipment), as calculated

by the Owner which calculation shall cause the transaction contemplated hereby to comply with paragraphs (1) and (6) of Section 4 of Revenue Procedure 75-21 and the Owner's after-tax economic yields, cash flows, annual net income and aggregate net income (determined in accordance with generally accepted accounting principles consistently applied) to equal the after-tax economic yields, cash flows, annual net income and aggregate net income (determined in accordance with generally accepted accounting principles consistently applied) that would have been realized by the Owner if such assumption had been correct. The Owner's net return, as calculated in accordance with the preceding sentence shall constitute "Owner's Net Return" hereunder. In calculating any adjustment under this paragraph (I), the Owner agrees to adjust the amount of Equipment Cost financed with proceeds of the Notes in accordance with the provisions of Section 3(b) of the Participation Agreement.

(II) In the event that the assumption set forth above in subsection (ii) shall prove to be incorrect as a result of an amendment, modification, repeal, or other change of or to the Code or the Regulations which change is enacted or effective prior to January 1, 1982, then, on the Depreciation Adjustment Date, the Percentage by which Basic Rent for such Item of Equipment is determined and the percentages for the Stipulated Loss Values and the Termination Values shall be increased or decreased as necessary to preserve the Owner's Net Return. In determining any adjustment under this paragraph (II), the Owner agrees to adjust the amount of Equipment Cost financed with proceeds of the Notes in accordance with the provisions of Section 3(b) of the Participation Agreement.

Not later than the Basic Term Commencement Date or the Depreciation Adjustment Date, as the case may be, Lessor and Lessee shall execute and deliver a Lease Supplement (A) completing or amending Schedule A hereto by setting forth a revised description, if necessary, of the composition of the Items of Equipment (including a final description of the components or portions of the Equipment, by Item of Equipment and the amounts of Equipment Cost as determined by the Owner to be properly attributable to the components or portions of the Equipment, by Item of Equipment) and, if necessary, eliminating any Items of Equipment not acquired by the Lessor and leased hereunder, (B) setting forth the changes, if any, to the Percentage referred to in Section 3(b) hereof to be used in determining the amount of the installments of Basic Rent, specifying such changes by Item of Equipment in accordance with paragraph (I) or (II) of this Section 3(f), if applicable, and (C) completing or revising Schedule B hereto by setting forth the percentages to be used in determining Stipulated Loss Value and Termination Value for all dates during the Basic Term, specifying any changes by Item of Equipment. The Percentage specified in clause (B) of this paragraph of Section 3(f) shall be determined in accordance with the procedures set forth in this Section 3(f), and the percentages specified in clause (C) of this paragraph of this Section 3(f) shall be determined in a similar manner to preserve

Owner's Net Return. Each Lease Supplement shall also set forth the changes, if any, to be made to the assumptions contained in the first paragraph of this Section 3(f), by Item of Equipment, if applicable. Lessee hereby agrees to supply Lessor, the Owner and the Security Trustee with any information requested by the Owner with respect to the nature, function and cost of the Equipment and the segments thereof.

If pursuant to Section 3(f) hereof it is determined that the assumptions set forth in the first paragraph thereof differ for each Item of Equipment, each Lease Supplement shall set forth the assumptions applicable to each Item of Equipment and the Percentage applicable thereto, and the amount of each installment of Basic Rent shall equal the sum of the amounts of Basic Rent applicable to all Items of Equipment.

From and after receipt by Lessee of notice from Lessor or the Owner of an adjustment pursuant to this Section 3(f) to the Basic Rent, Stipulated Loss Values or Termination Values payable hereunder, accompanied by a letter from an authorized officer of the Owner setting forth the reasons for such adjustment and stating that the computation of such adjustment was made using the same assumptions as were used in computing the Percentage set forth in Section 3(b) hereof and in conformity with the provisions of Section 3 of the Participation Agreement, Lessee shall be obligated to pay Basic Rent as so adjusted, notwithstanding the failure or refusal of Lessee to execute and deliver a Lease Supplement setting forth such adjustment.

In the event Lessee and Lessor are unable to agree on the adjustment provided for in this section 3(f) the procedure provided in Section 9 of the Tax Indemnity shall be followed.

(g) Limitation on Adjustments. Notwithstanding any adjustments made pursuant to paragraphs (c) and (f) hereof, on each Lease Payment Date Lessee shall pay as Basic Rent (without any deductions or offsets) to the Security Trustee for the account of Lessor an amount at least sufficient to pay in full any payment then required to be made on account of principal of, and interest on, the Notes then outstanding, other than by reason of acceleration of maturity thereof. The Stipulated Loss Values and Termination Values shall be increased, if necessary, so that the amount of Stipulated Loss Value or Termination Value, as applicable, under the Lease payable on any date, together with the Rent then payable, equals or exceeds the sum of the principal amount of the Notes which will remain unpaid on such date plus accrued interest thereon.

(h) Fees and Expenses. Lessee hereby agrees to pay to the person entitled to receive same, as Supplemental Payments hereunder, (i) fees and expenses of Lessor, the Security Trustee or any Investor incurred in connection with the enforcement or other protection of (A) the Indenture or the lien and security interest

provided for therein and (B) all indebtedness payable under the Indenture, upon demand by Lessor, the Owner, the Security Trustee or any Investor, as appropriate, (ii) all taxes in connection with the issuance of the Owner Interest and the Notes and all recording and filing fees in connection with the recordation or filing of the Notes, (iii) all fees and other expenses of The Connecticut Bank and Trust Company and any successor Owner Trustee and the Security Trustee incurred after March 15, 1981, including without limitation, all recording fees, Interstate Commerce Commission and Uniform Commercial Code filing fees, and fees incurred in obtaining Interstate Commerce Commission and Uniform Commercial Code releases under the Indenture (except those fees described in Section 17(a)(viii) of the Participation Agreement), and (iv) the reasonable out-of-pocket expenses of The Connecticut Bank and Trust Company and any successor Owner Trustee, the Security Trustee and the Investors (including legal fees and disbursements) in connection with any amendments, waivers or consents pursuant to the provisions hereof or of any of the Operative Documents so long as such request occurs after the Basic Term Commencement Date, provided, however, that it is not the intent of the parties that this paragraph (h) be deemed to cover expenses described in Section 17(a) of the Participation Agreement.

(i) Method of Payment. All Rent, Supplemental Payments and all other payments required to be made by Lessee hereunder to Lessor, the Security Trustee or any Investor shall be made to such party entitled to receive same in immediately available funds by wire transfer to such party or its designated bank.

SECTION 4. NET LEASE; NON-TERMINABILITY. (a) Net Lease. This Lease is a net lease, and it is intended that Lessee shall pay all costs, expenses and taxes of every character (other than those specifically included in Equipment Cost), whether seen or unforeseen, ordinary or extraordinary or structural or non-structural, in connection with the use, operation, maintenance, repair and reconstruction of the Equipment, including the costs, expenses and taxes and similar levies particularly set forth in this Lease. The Rent and the Supplemental Payments which Lessee is obligated to pay shall be paid without notice or demand and without set-off, counterclaim, abatement, suspension, deduction or defense.

(b) Non-Terminability. Lessee's obligations hereunder, including its obligations to pay all Rent and Supplemental Payments payable hereunder, shall be absolute and unconditional under any and all circumstances and shall not be affected by reason of (i) any damage to or the destruction or loss of all or any portion of the Equipment from whatever cause, (ii) the loss or theft of any portion of the Equipment, (iii) the taking of the Equipment by condemnation, confiscation, requisition, eminent domain or otherwise, (iv) the prohibition, limitation or restriction of Lessee's use of all or any part of the Equipment, or

the interference with such use by any private person or corporation, (v) the inadequacy or incorrectness of the description of any portion of the Equipment, (vi) Lessee's acquisition or ownership of all or any part of the Equipment other than pursuant to an express provision of this Lease, (vii) any default by Lessor under this Lease or under any other instrument to which Lessor and Lessee may be parties, or (viii) the termination or loss of any right or interest which Lessee may have in real or personal property in connection with which any portion of the Equipment is used or which otherwise affects or may affect Lessee's right to use the Equipment or any portion thereof, and whether or not within the control of Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or (to the extent permitted by applicable law) future law to the contrary notwithstanding, it being the intention of the parties hereto that the obligations of Lessee shall be separate and independent covenants and agreements and shall continue unaffected unless and until the covenants have been terminated pursuant to an express provision of this Lease.

Lessee covenants that it will remain obligated under this Lease in accordance with its terms and will take no action to terminate, rescind, or avoid this Lease, notwithstanding the bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding-up or other proceedings affecting Lessor or any assignee of Lessor or any other action with respect to this Lease which may be taken in any such proceeding by any trustee or receiver of Lessor or of any assignee of Lessor or by any court or any of the foregoing actions which may be taken by or against any of Lessor's predecessors in interest in the Equipment.

Except as expressly provided herein and to the extent permitted by applicable law, Lessee waives all rights now or hereafter conferred by law (i) to quit, terminate or surrender this Lease or the Equipment or any Item thereof, or (ii) to any abatement, suspension, deferment or reduction of the Rent or any Supplemental Payments.

SECTION 5. INSPECTION AND REPORTS. (a) Conditions and Operations. Upon reasonable prior notice and at all reasonable times Lessor, the Security Trustee or the Investors or their authorized representatives may inspect the Equipment and the books and records of Lessee relative thereto, and, at such times as Lessor, the Security Trustee or the Investors may reasonably request, Lessee will furnish Lessor, the Security Trustee and the Investors accurate statements regarding the condition and state of repair of the equipment. Lessor, the Security Trustee and the Investors shall have no duty to make any such inspection or inquiry and shall not incur any liability or obligation by reason of not making any such inspection or inquiry. To the extent permissible, Lessee will prepare and file in timely fashion or, where the Lessor is required to file, prepare and deliver to the Lessor within a

reasonable time prior to the date for filing, any reports with respect to the condition or operation of the Equipment during any period included in the Term which are required to be filed with any federal, state or other governmental or regulatory authority.

(b) Liability. Lessee will use its best efforts to notify promptly the Lessor, the Security Trustee and the Investors of each liability, obligation, loss, damage, penalty, claim, action or suit of the nature referred to in Section 13(a) hereof.

(c) Liens. Lessee will notify Lessor, the Security Trustee and the Investors in writing, within ten days after any day on which Lessee becomes aware of any tax or other Lien (except for Permitted Liens) that shall attach to any of the Equipment or the Trust Indenture Estate, of the full particulars thereof.

SECTION 6. LIENS. LESSEE SHALL NOT HAVE ANY RIGHT, POWER OR AUTHORITY TO CREATE OR INCUR ANY LIEN UPON LESSOR'S INTEREST IN THE EQUIPMENT. NOTICE IS HEREBY GIVEN TO ALL CONTRACTORS, SUBCONTRACTORS, LABORERS, MATERIALMEN AND OTHER PERSONS THAT LESSOR WILL NOT BE LIABLE FOR ANY LABOR, SERVICE OR MATERIALS FURNISHED TO LESSEE AND THAT NO LIENS FOR ANY SUCH LABOR, SERVICES OR MATERIALS SHALL ATTACH TO OR AFFECT LESSOR'S INTEREST IN THE EQUIPMENT.

Lessee will not directly or indirectly create, incur, assume or suffer to exist any Lien on or with respect to the Equipment or any part thereof or the Trust Indenture Estate, any part thereof, title thereto or any interest therein, except (i) any Lien arising pursuant to the Mortgage on Lessee's leasehold interest under this Lease, (ii) the respective rights of Lessor, Lessee, the Security Trustee and the Investors as provided in this Lease, the Trust Agreement, the Indenture and the Participation Agreement, (iii) Liens which result from acts of Lessor or the Investors not related to the ownership of the Equipment or the transactions contemplated by the Operative Documents, (iv) Liens permitted pursuant to the provisions of Section 9 hereof, (v) Liens for taxes either not yet delinquent or being contested in good faith by appropriate proceedings and there is no danger of the sale, forfeiture or loss of the Equipment or any part thereof or the Trust Indenture Estate, any part thereof, title thereto or any interest therein, (vi) materialmen's, mechanics', workmen's, repairmen's, employees', storage or other like Liens arising in the ordinary course of business, which are not delinquent or are being contested in good faith by appropriate proceedings and there is no danger of the sale, forfeiture or loss of the Equipment or any part thereof, or the Trust Indenture Estate, any part thereof, title thereto or interest therein and if in excess of \$50,000 are bonded, or the enforcement of which has been suspended or the amount of which has been bonded, but then only for the duration of such suspension or bonding, or (vii) Liens arising out of judgments or awards against Lessee which, if in excess of \$50,000 have been

bonded, or with respect to which at the time an appeal or proceeding for review is being prosecuted in good faith and with respect to which there shall have been secured a stay of execution pending such appeal or proceeding for review. Lessee will promptly, at its own expense, take such action as may be necessary duly to discharge or eliminate or bond in a manner satisfactory to Lessor and the Security Trustee any such Lien not excepted above if the same shall arise at any time.

Lessee shall give the notice required by Section 5(c) hereof.

SECTION 7. TAXES. (a) General Indemnity. Lessee agrees to pay and indemnify and hold Lessor (in both its individual and fiduciary capacities), the Security Trustee, the Trust Indenture Estate and each Investor harmless from, all local, state, Federal or foreign taxes, fees, withholdings, levies, imports, duties, assessments, charges, license and registration fees and other governmental charges of any nature whatsoever, including without limitation sales, gross receipts, use or similar taxes, together with any penalties, fines or interest thereon (herein called "taxes or other impositions") imposed against Lessor (in either its individual or fiduciary capacity), the Security Trustee, the Trust Indenture Estate, such Investor, Lessee, the Equipment or any part thereof by any federal, state or local government or taxing authority in the United States, upon or with respect to the Equipment or any part thereof, or upon the purchase, ownership, delivery, nondelivery, leasing, re-leasing, subleasing, possession, use, operation, maintenance, repair, condition, sale, return, abandonment or other application or disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or upon or with respect to this Lease, the Participation Agreement, the Trust Agreement, the Indenture or the Owner Interest, or the Notes or the issuance thereof under the Trust Agreement or the Indenture, or upon the Rent or other sums payable by Lessee hereunder or under the Participation Agreement, provided that the foregoing indemnity shall not apply (A) to any federal, state and local taxes on or measured solely by Lessor's, the Security Trustee's or any Investor's net income or (B) to any taxes or other impositions attributable to the events or periods which occur after the end of the Term of this Lease, except, however, to the extent attributable to a Default or an Event of Default, or a failure of Lessee to fully discharge its obligations under this Lease, provided that, if any tax or other imposition is payable at the option of Lessee in installments any of which are to become due and payable after the end of the Term of this Lease, all such installments shall be paid by Lessee on or before a date one month prior to the end of the Term of this Lease unless the Lessee shall have agreed to indemnify the appropriate party in a manner satisfactory to such appropriate party for any liability, loss or expense arising out of the Lessee continuing to pay such installments beyond the Term of this Lease, or (C) to any taxes or

other impositions imposed as a result of the voluntary disposition by the Owner of its right, title or interest in the Trust Estate prior to the occurrence of a Default or Event of Default hereunder (other than a disposition to the Lessee or an affiliate of the Lessee), it being understood that the disposition of such right, title or interest in the Trust Estate pursuant to Section 10 or 11 hereof shall not be deemed a voluntary disposition within the meaning of this clause (C).

The amount which Lessee shall be required to pay with respect to any such taxes or other impositions which are subject to indemnification under this Section 7 shall be in an amount sufficient to restore the indemnified party to the same position such party would have been in had such tax or other imposition not been imposed. If, as a result of the inclusion of any payment to be made by Lessee under this Section 7 in the taxable income of the indemnified party in one year and the deduction of the tax or other imposition with respect to which such payment is made from the taxable income of such party in a different year, or the nondeductibility of such tax or other imposition from the taxable income of such party, or the anticipated realization by such party in a different year of tax benefits resulting from the transaction giving rise to such tax or other imposition, the payment by Lessee hereunder of an amount equal to such tax or other imposition would be more or less than the amount which would be required to make the indemnified party whole, the amount of the indemnity to be paid by Lessee hereunder shall be adjusted to an amount which (after taking into account all tax effects on the indemnified party, any loss of use of money resulting from differences in timing between the inclusion of such indemnity in the taxable income of such party and the realization by such party of tax benefits resulting from the transaction to which such indemnity is related, and the present value of any anticipated future tax benefits to be realized by such party as a result of deducting such tax or other imposition or as a result of the transaction giving rise thereto) will be sufficient to place the indemnified party in the same position such party would have been in had such tax or other imposition not been imposed. All computations for the purposes hereof shall be based on tax rates in effect on the date payment pursuant to this Section 7 is made. Computations involving the loss of use of money or calculations of present value shall be based on the rate of interest charged by the Security Trustee on the day such payment is made for 90-day unsecured loans to its most credit-worthy commercial customers, as adjusted for applicable income tax effects and compounded semiannually on the Lease Payment Dates.

The indemnified party shall furnish Lessee with copies of any requests for information from any taxing authority relating to any tax or other imposition with respect to which the Lessee is required to indemnify hereunder, and if claim is made against Lessor (in either its individual or fiduciary capacity), the Security Trustee, the Trust Estate, the Trust Indenture Estate or any Investor for any such taxes or other impositions,

with respect to which Lessee is liable for a payment or indemnity hereunder, Lessor, the Trust Estate, the Trust Indenture Estate, the Security Trustee or such Investor, as the case may be, shall promptly give Lessee notice in writing of such claim. Lessor, the Security Trustee or such Investor, as the case may be, shall in good faith, with due diligence and at Lessee's expense, if requested by Lessee (which request is confirmed in writing by the Lessee promptly after the date of such request), contest (or shall permit Lessee to contest in the name of Lessee, Lessor, the Security Trustee or such Investor) the validity, applicability or amount of such tax or other imposition by (i) resisting payment thereof if practicable, (ii) not paying the same except under protest, if protest is necessary or advisable and proper, or (iii) if the payment be made, using reasonable efforts to obtain a refund thereof in appropriate administrative and judicial proceedings; provided, however, that Lessor, the Security Trustee or such Investor shall not be required to take any action pursuant to this sentence unless and until (x) Lessee shall have agreed to indemnify such party in a manner satisfactory to it in its reasonable judgment for any liability, expenses or loss arising out of or related to such contest (including, without limitation, indemnification for all costs, expenses, losses, attorneys' fees and disbursements (including attorneys' fees and disbursements incurred in any and all judicial or other governmental proceedings, including appellate proceedings, whether such proceedings arise before or after the entry of final judgment), penalties and interest) and (y) such indemnified party shall have determined in its sole judgment that the action to be taken will not result in the sale, forfeiture or loss of, or the creation of a Lien other than as permitted in Section 6 hereof on, the Equipment or any part thereof or the Trust Indenture Estate, any part thereof, title thereto or any interest therein. If Lessor, the Security Trustee or any Investor shall obtain a refund of any such taxes or other impositions fairly attributable to any amount paid by Lessee pursuant to this Section 7, Lessor, the Security Trustee or such Investor as the case may be, shall pay to Lessee, the amount of such refund, together with the amount of any interest received by such party on account of such refund. Lessee shall not be deemed to be in default under any of the indemnification provisions of this Section 7 so long as it shall, or Lessor, the Security Trustee or any Investor shall, be required to diligently prosecute any contest referred to herein in accordance with the provisions hereof. If permitted by applicable law, Lessee shall be entitled to prepare and file all reports or returns required with respect to any tax or other imposition with respect to which the Lessee is required to indemnify hereunder. Where permitted by law and agreed to by the Owner, a limited power of attorney shall be issued to Lessee by Lessor authorizing Lessee to file any reports or returns hereunder. If the Lessee shall not be permitted by applicable law to file any such reports or returns, Lessee shall prepare such reports or returns for signature by Lessor, or, if applicable, by the Owner or other appropriate party and shall forward the same, together with

immediately available funds for payment of any tax or other imposition due, to Lessor, or, if applicable, to the Owner or such other appropriate party at least 10 Business Days in advance of the date such payment is to be made. Upon written request, Lessee shall furnish Lessor, the Owner or such other appropriate party with copies of all paid receipts or other appropriate evidence of payment for all taxes or other impositions paid by the Lessee pursuant to this Section 7.

(b) Payment and Enforceability. All amounts payable by Lessee pursuant to this Section 7 shall be payable directly to the party entitled to indemnification except to the extent paid to a governmental agency or taxing authority. All the indemnities contained in this Section 7 shall continue in full force and effect notwithstanding the expiration or other termination of this Lease in whole or in part, including expiration or termination with respect to any Item of Equipment, and are expressly made for the benefit of, and shall be enforceable by, Lessor, the Security Trustee and each Investor. Lessee's obligations under this Section 7 shall be that of primary obligor irrespective of whether the indemnified party shall also be indemnified with respect to the same matter under some other agreement by another person. Upon payment in full of any indemnity contained in this Section 7 by Lessee, Lessee shall be subrogated to any rights of the indemnified party in respect of the matter against which indemnity has been given.

SECTION 8. MAINTENANCE AND OPERATION; INSIGNIA; POSSESSION AND SUBLEASE; LOCATION. (a) Maintenance and Operation. Lessee, at its expense, shall maintain, service and repair the Equipment to the same extent as Lessee would, in the prudent management of its properties, maintain, service and repair comparable facilities or equipment owned by Lessee and in any event to the extent required to maintain the Equipment in good operating condition and in compliance with any applicable requirements of law or of any federal, state or local governmental authority having jurisdiction, including without limitation, the Federal Railway Administration, and with the conditions, standards, and interchange and safety requirements of the American Association of Railroads. Lessee will not permit the Equipment to be used or operated in violation of any law or any rule, regulation or order of any such governmental authority having jurisdiction, unless the validity thereof is being contested in good faith and by appropriate proceedings and there is no danger of the sale, forfeiture or loss of the Equipment or any part thereof, title thereto or interest therein or the imposition of any penalty on Lessor, the Security Trustee or any Investor or any officer or employee of any of the foregoing, provided, however, that Lessee shall have no liability under this sentence for any act, or failure to act, by a common carrier or railroad in possession of the Equipment.

(b) Insignia. Lessee will cause each Item of Equipment to be kept numbered with the identification number set

forth in Schedule A hereto, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Item of Equipment, in letters not less than one inch in height, the words "LEASED FROM THE CONNECTICUT BANK AND TRUST COMPANY, TRUSTEE UNDER HOOSIER ENERGY TRUST NO. 81-1, AS OWNER, AND SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION", with appropriate changes thereof as from time to time may be required by law, in the opinion of Lessor and the Security Trustee, in order to protect Lessor's title to and interest in such Item of Equipment and the rights of the Lessor under this Lease and the Security Interest of the Security Trustee. Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, defaced, obliterated or destroyed. Lessee will not change the identification number of any Item of Equipment unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with Lessor and duly filed and deposited by the Lessee in all public offices where this Lease shall have been filed and deposited and (ii) the Lessee shall have furnished Lessor an opinion of counsel to the effect that such statement has been so filed and deposited, that such filing and deposit will protect the Lessor's rights in such Item of Equipment and that no other filing, deposit or giving of notice with or to any Federal, state or local government or agency thereof is necessary to protect the rights of Lessor in such Item of Equipment.

Except as provided in the immediately preceding paragraph, Lessee will not allow the name of any person, association or corporation to be placed on any Item of Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Equipment may be lettered with the names or initials or other insignia customarily used by Lessee or its affiliates.

(c) Possession and Sublease. Lessee will not sublease or otherwise in any manner deliver, transfer or relinquish possession of any Item of Equipment without the written consent of Lessor and the Security Trustee except that, (i) Lessee may assign its rights hereunder to the Government if such assignment is required pursuant to the terms of the Mortgage and (ii) unless a Default or an Event of Default shall have occurred and be continuing, Lessee may deliver or relinquish possession of any Item of Equipment (x) for the purpose of warranty or repair, or (y) pursuant to a sublease or bailment for a term which does not exceed five years, provided, however, that the rights of any person who receives possession of an Item of Equipment as permitted by this Section 8(c) shall be subject and subordinate to all the terms of this Lease, and any sublease or bailment permitted by this Section 8(c) shall be made expressly subject and subordinate to the terms of this Lease, including, without limitation, all of Lessor's rights pursuant to Section 15 hereof; and provided, further, that

no such delivery, relinquishment of possession or sublease shall reduce any obligations of Lessee hereunder or rights of Lessor hereunder, and all obligations of Lessee hereunder shall continue in full force and effect as the obligations of a principal and not of a guarantor or surety, to the same extent as though no such relinquishment of possession or sublease had been made. Upon the occurrence and during the continuance of a Default or an Event of Default under this Lease, Lessor shall have the right to collect all subrents and other sums of money payable under any sublease of the Equipment, and Lessee hereby assigns such subrents and money to Lessor to be applied to the discharge of Lessee's obligations hereunder. Except in the case of a purchase by Lessee pursuant to Section 20 hereof or the occurrence of an Event of Loss, Lessee will at its cost return the Equipment at the end of the Term in the same condition and repair required to be maintained during the Term.

(d) Use and Location. Without the consent of the Lessor and the Security Trustee, which consent shall not be unreasonably withheld, Lessee agrees that the Equipment will be used solely in the conduct of its business for the transportation of coal, limestone, bottom ash and scrubber sludge in unit train operations; provided, however, that in no event will the Lessee permit the Equipment to be removed outside the continental United States, without the consent of the Lessor and the Security Trustee in their sole discretion. Lessee agrees to maintain a record as to the current routing of each Item of Equipment and make such information available to Lessor and each Investor upon request. Lessee agrees that at all times during the Term of this Lease the Equipment will be used so that it constitutes "railroad cars" or "other rolling stock" within the meaning of 49 U.S.C. §11303. In the event of any removal of any Item of Equipment or part thereof outside the United States, Lessee shall deliver to Lessor and the Security Trustee notice 30 days before such removal accompanied by an opinion of counsel as required by Section 17 hereof (who may be counsel to Lessee) satisfactory to Lessor and the Security Trustee that such removal does not impair or adversely affect the ownership of such Equipment by Lessor or the security interest granted by the Indenture, that all necessary recordings or filings have been duly made in the public offices wherein such recordings or filings are necessary to protect the right, title and interest of Lessor under this Lease and the security interest granted by the Indenture and that all fees, taxes and charges payable in connection therewith have been paid in full by Lessee.

SECTION 9. REPLACEMENT OF PARTS; ALTERATIONS, MODIFICATIONS AND ADDITIONS. In case any equipment or appliance is required to be altered, added, replaced or modified on any Item of Equipment in order to comply with laws, regulations, requirements and rules ("Required Alteration") pursuant to Section 8(a) hereof, Lessee agrees to make such Required Alteration at its own expense. In the event such Required Alteration is readily removable without

causing material damage to the Equipment, any such Required Alteration shall be and remain the property of Lessee. To the extent such Required Alteration is not readily removable without causing material damage to the Equipment, the same shall immediately be and become the property of Lessor and subject to the terms of this Lease and to a valid first and prior perfected security interest under the Indenture. Lessee agrees that, within 30 days after the close of any calendar quarter in which Lessee has made any Required Alterations, Lessee will give written notice thereof to Lessor describing, in reasonable detail, the Required Alterations and specifying the cost thereof with respect to each Item of Equipment and the date or dates when made.

Any parts installed or replacements made by Lessee upon any Item of Equipment pursuant to its obligation to maintain and keep the Equipment in good order, condition and repair under Section 8 hereof ("Replacement") shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in Lessor and shall be subject to a valid first and prior perfected security interest under the Indenture. Lessee may, without the prior written consent of the Lessor, affix or install any accessory, equipment or device on any Item of Equipment or make any improvement or addition thereto other than a Required Alteration or Replacement ("Improvement"); provided that, in the case of nonremovable Improvements (1) the value of the Item of Equipment is not reduced thereby, (2) such Improvements will not cause the Item of Equipment to become limited use property within the meaning of Rev. Proc. 76-30, or materially alter or reduce its general usefulness, (3) such Improvements will not increase the productivity or capacity of the Item of Equipment in excess of 25% as provided in Rev. Proc. 79-48 and (4) the cumulative deflated cost (as defined in Revenue Procedure 79-48) of such nonseverable nongovernmentally required Improvements does not exceed 10% of Equipment Cost of the Item of Equipment and, in the case of readily removable Improvements, such Improvement is readily removable without causing material damage to the Item of Equipment or impairing the value, utility or condition of such Item of Equipment which such Item of Equipment would have had if such Improvement had not been so affixed or installed. Title to such removable Improvement shall remain with Lessee and may be removed at any time by Lessee prior to Lessor's exercise of its option to purchase such Improvement as set forth in the next sentence. Lessor shall have the right, at its option exercisable upon written notice given to Lessee not more than 90 days and not less than 30 days prior to the expiration or termination of this Lease with respect to an Item of Equipment, to purchase any such removable Improvement affixed or installed on such Item of Equipment and owned by Lessee at the time of Lessor's exercise of such option for a cash price equal to the fair market value thereof and, if Lessor does not exercise such option, Lessee shall remove such Improvement at its own expense without causing material damage to such Item of Equipment prior to

the return of the Item of Equipment to Lessor hereunder. Except as required or permitted by the provisions of this Section 9, Lessee shall not modify any Item of Equipment without the prior written authority and approval of Lessor and the Security Trustee which shall not be unreasonably withheld.

SECTION 10. VOLUNTARY TERMINATION UPON OBSOLESCENCE.

So long as no Default or Event of Default shall have occurred and be continuing, Lessee shall have the right at its option on any Lease Payment Date occurring on or after the seventh anniversary of the Basic Term Commencement Date, on at least 180 days' prior written notice to Lessor, to terminate this Lease with respect to any Item of Equipment if, in Lessee's good faith opinion, such Item of Equipment shall have become no longer useful, or surplus, to Lessee in its business, such termination to be effective on the Lease Payment Date specified in such notice (for purposes of this Section 10, called the "termination date"). During the period from the giving of such notice until the date 30 days prior to the termination date, Lessee, as agent for Lessor, shall use its reasonable efforts (but no less effort than used to sell equipment it owns itself) to secure the highest obtainable bids for the purchase of Lessor's interest in such Item of Equipment and in the event it receives any bid during such period, Lessee shall promptly certify to Lessor in writing the amount and terms of such bid and the name and address of the party submitting such bid. On the termination date, Lessee shall deliver possession of such Item of Equipment to the bidder, if any, which shall have submitted the highest bid during such period, and Lessor shall, subject to its rights set forth in the second paragraph of this Section 10, without recourse or warranty, simultaneously therewith sell its interest in such Item of Equipment on an "as is", "where is" basis and (subject to formal release by the Security Trustee), free and clear of the Lease and the Indenture, for cash to such bidder. The total selling price realized at such sale shall be paid to the Security Trustee for the account of Lessor and, in addition, on the termination date Lessee shall pay to the Security Trustee any payment of Basic Rent due pursuant to Section 3(b) hereof on such termination date and also pay for the account of Lessor the excess, if any, of the Termination Value of such Item of Equipment, as of the termination date, over the proceeds of sale of such Item of Equipment after deducting from such proceeds of sale the expenses incurred by Lessor in connection with such sale. Neither Lessee nor any person, firm or corporation, affiliated with the Lessee, may purchase such Item of Equipment, or after any such sale, lease or otherwise utilize such Item of Equipment. If no sale shall have occurred on or as of the termination date, this Lease (including the provisions of this Section 10) shall continue in full force and effect with respect to such Item of Equipment. In the event of any such sale and the receipt by the Security Trustee of the amounts described above, and upon compliance by Lessee with the provisions of this Section 10, the obligations of Lessee to pay Basic Rent hereunder with respect to such Item of Equipment shall cease for

any Lease Period commencing on or after the termination date and the Term with respect to such Item of Equipment shall end effective as of the termination date. Lessor may, but shall be under no duty to, solicit bids, inquire into the efforts of Lessee to obtain bids or otherwise take any action in connection with any such sale other than the duty to transfer, upon the release by the Security Trustee of such Item of Equipment from the lien of the Indenture, to the purchaser named in the highest bid certified by Lessee to Lessor, without recourse or warranty, on an "as is", "where is" basis, but free of Liens resulting solely from acts of Lessor, all of Lessor's right, title and interest in and to such Items of Equipment, against receipt by the Security Trustee of the payments provided for herein.

Notwithstanding anything contained herein to the contrary, and provided that the Indenture shall have been previously terminated, Lessor may, at its option, on 10 days' prior written notice to Lessee, refuse to sell its interest in the Equipment pursuant to the procedures set forth in this Section 10. Upon any such refusal Lessee shall pay to Lessor the Termination Value of the Equipment computed as of the termination date, plus all Rent and other sums then due upon the termination date and minus the fair market value of, or, if higher, the highest cash bid received from a responsible bidder for, the Equipment as determined in accordance with Section 20(d) hereof and Lessee shall deliver the Equipment to Lessor in accordance with Section 20(c) hereof. Thereafter, Lessee shall be relieved of the obligation to pay the Rent accruing hereunder due or payable after, but not on or before, the termination date, and this Lease shall terminate, except for those obligations which by the terms hereof, expressly survive the termination of the Lease.

SECTION 11. LOSS, DESTRUCTION, CONDEMNATION OR DAMAGE.

(a) Payment of Stipulated Loss Value Upon an Event of Loss. If an Event of Loss with respect to any Item or Items of Equipment occurs, Lessee shall with reasonable promptness give Lessor written notice thereof and shall pay to Lessor on the Lease Payment Date next following the occurrence of such Event of Loss (i) the Stipulated Loss Value of such Item or Items of Equipment (computed as of such Lease Payment Date) and (ii) the Basic Rent due on such Lease Payment Date. Upon payment in full of such Stipulated Loss Value and Basic Rent, (A) the obligation of Lessee to pay Basic Rent hereunder with respect to such Item or Items of Equipment for all Lease Periods commencing after the occurrence of such Event of Loss shall terminate, and (B) Lessee shall, as agent for Lessor, as soon as practicable, dispose of such Item or Items of Equipment in a manner reasonably acceptable to Lessor.

(b) Application of Other Payments Upon Event of Loss. Any payments (including, without limitation, insurance proceeds) received at any time by Lessor or by Lessee from any

governmental authority or other party (except Lessee) as a result of the occurrence of an Event of Loss will be applied as follows:

(i) any such payments received at any time by Lessee shall be promptly paid to Lessor for application pursuant to the following provisions of this subsection;

(ii) so much of such payments as shall not exceed the amount required to be paid by Lessee pursuant to Section 11(a) hereof shall be applied in reduction of Lessee's obligation to pay such amount, if not already paid by Lessee, or, if already paid by Lessee, shall be applied to reimburse Lessee for its payment of such amount, unless a Default or Event of Default shall have occurred and be continuing; and

(iii) the balance, if any, of such payments remaining thereafter shall be retained by Lessor.

(c) Application of Payments Not Relating to an Event of Loss. Any payments received at any time by Lessor from any governmental authority or other party with respect to any condemnation, confiscation, theft or seizure of, or requisition of title to or use of, or loss or damage to, the Equipment or any part thereof not constituting an Event of Loss, will be applied directly in payment of repairs or for replacement of property in accordance with the provisions of Sections 8 and 9 hereof, if not already paid by Lessee, or if already paid by Lessee and no Default or Event of Default shall have occurred and be continuing, shall be applied to reimburse Lessee for such payment, and any balance remaining after compliance with said Sections with respect to such loss or damage shall be retained by Lessor.

SECTION 12. INSURANCE (a) Insurance Against Loss or Damage to the Equipment. Lessee will, without cost to Lessor, maintain or cause to be maintained in effect throughout the Term, with insurers of recognized responsibility, insurance policies insuring against loss or damage to the Equipment from such risks and upon such terms and conditions as are satisfactory to the Owner and the Security Trustee. The proceeds payable under such insurance (assuming total loss) with respect to the Equipment shall not at any time be less than 100% of the Stipulated Loss Value of such Equipment as of the preceding Lease Payment Date. Any insurance policies carried by Lessee in accordance with this subsection shall name Lessor, as owner of the Equipment, the Owner and the Security Trustee as additional insureds, and shall be made payable to Lessor, provided, however, that (so long as this Lease shall be assigned to the Security Trustee) such insurance shall be made payable to the Security Trustee, for any loss and shall insure Lessor's, the Security Trustee's and the Investors' interests, as they may appear, regardless of any breach or violation by Lessee of any warranties, declarations or conditions contained in such

policies and shall provide that the insured thereunder waives all rights of subrogation against Lessor, Lessee, the Investors and the Security Trustee. As between Lessor and Lessee all insurance proceeds received as the result of the occurrence of an Event of Loss with respect to any Item of Equipment will be applied as provided in Section 11(b) hereof and the proceeds of any insurance for loss or damage not constituting an Event of Loss with respect to any Item of Equipment will be applied as provided in Section 11(c) hereof.

(b) Insurance Against Public Liability and Property Damage. Lessee will, without cost to Lessor or any other named insured mentioned below (except Lessee), maintain or cause to be maintained in effect throughout the Term, with insurers of recognized responsibility, insurance policies with respect to the Equipment insuring against loss or damage to the person and property of others from such risks and in such amounts as Lessee and its subsidiaries would, in the prudent management of their business, maintain or cause to be maintained with respect to similar property owned by them, but in no event less than \$15,000,000 per occurrence. Any insurance policies maintained by Lessee in accordance with this subsection shall name Lessor, as owner of the Equipment, the Security Trustee and the Investors as additional insureds thereunder with respect to the Equipment and shall insure the interests of Lessor, the Security Trustee and the Investors, as they may appear, regardless of any breach of or violation by Lessee of any warranties, declarations or conditions contained in such policies. Each such insurance policy (including those referred to in Section 12(a) hereof) shall expressly provide that all of the provisions thereof, except the limits of liability (which shall be applicable to all insureds as a group) and liability for premiums (which shall be solely a liability of Lessee), shall operate in the same manner as if there were a separate policy covering each insured.

(c) Right to Self-Insure. In fulfilling its obligations under Section 12(a) or 12(b), Lessee may self-insure against such risks through the use of a deductible provision equivalent to a maximum of 15% of the replacement value of the Equipment with respect to Section 12(a), and the use of a deductible provision equivalent to a cumulative maximum of \$1,000,000 during the Term of this Lease with respect to Section 12(b), but only to the extent that Lessee self-insures in a like manner against such risks with respect to similar property now or hereafter owned or leased by it if any such property shall exist.

(d) Reports; Terms of Insurance Policies. On or before the date hereof and thereafter at intervals of not more than 12 months, Lessee shall furnish to the Owner and the Security Trustee a certificate signed by an officer of Lessee showing the insurance then maintained by Lessee pursuant to this Section 12 and stating that in the opinion of said officer such insurance complies

with the terms hereof. Lessee will cause the insurers with whom it maintains such insurance to advise Lessor and the Security Trustee in writing promptly of any default in the payment of any premiums or any other act or omission on the part of Lessor or Lessee of which they have knowledge and which might invalidate or render unenforceable, in whole or in part, any such insurance. Lessee will also cause such insurers to advise Lessor and the Security Trustee in writing, at least 30 days prior thereto, of the expiration or termination of any such insurance or the modification thereof so as to reduce the perils covered or the amounts payable thereunder below the amounts required to be provided pursuant to the provisions hereof and to agree that no policy will be terminated or so modified unless such notice is given. In the event that Lessee shall fail to maintain insurance as herein provided, Lessor may at its option maintain such insurance and, in such event, Lessee shall reimburse Lessor upon demand for the cost thereof and, to the extent such amount shall not be paid by Lessee on demand, it shall be a Supplemental Payment.

SECTION 13. INDEMNIFICATION AND EXPENSES. (a) General Indemnity. Lessee hereby agrees, whether or not any of the transactions contemplated hereby shall be consummated, to assume liability for, and does hereby agree to indemnify, protect, save and keep harmless Lessor both in its individual and fiduciary capacity, the Trust Estate, the Security Trustee, the Trust Indenture Estate and each Investor, and their respective successors, assigns, agents and servants (herein for purposes of this Section 13 called an "indemnified party"), from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including attorneys' fees and expenses (which term shall include fees and expenses incurred in any and all judicial or other governmental proceedings, including appellate proceedings, whether such proceedings arise before or after entry of final judgment), of whatsoever kind and nature (for purposes of this Section 13 collectively called "Expenses"), imposed on, asserted against or incurred by any indemnified party, in any way relating to or arising out of this Lease, the Participation Agreement, the Purchase Order Assignment, the Trust Agreement, the Indenture, the purchase, construction, installation, ownership, acceptance, rejection, maintenance, repair, return, storage, delivery, lease, possession, use, operation, condition, sale or other disposition of the Equipment or any portion thereof (including, without limitation, latent and other defects, whether or not discoverable by Lessor or Lessee, and any claim for patent, trademark or copyright infringement and any claim arising under the strict liability doctrine in tort), except only that Lessee shall not be required to indemnify any indemnified party for (i) Expenses described in Section 7 hereof (except to the extent indemnification is provided for in said Section), (ii) Expenses resulting from the willful misconduct or gross negligence of the party otherwise to be indemnified hereunder, (iii) except as otherwise specifically

provided herein, or unless a Default or an Event of Default has occurred and is continuing, Expenses arising from acts or events which occur after possession of the Equipment has been surrendered to Lessor at the expiration of the Term, except for Expenses necessary to put the Equipment in the condition specified in Section 8 hereof and Expenses otherwise fairly attributable to a failure of Lessee to discharge its obligations hereunder.

(b) Payments, Survival and Other Provisions. All amounts payable by Lessee pursuant to this Section 13 shall (i) be payable directly to the parties entitled to indemnification and (ii) if appropriate, be adjusted as provided in the second paragraph of Section 7(a) hereof. All the indemnities contained in this Section 13 shall continue in full force and effect notwithstanding the expiration or other termination of this Lease and are expressly made for the benefit of, and shall be enforceable by, Lessor (in either its individual or fiduciary capacity as the case may be), the Security Trustee and each Investor. Lessee's obligations under this Section 13 shall be that of primary obligor irrespective of whether the individual or corporation indemnified shall also be indemnified with respect to the same matter under any other agreement by any other person. Upon payment by Lessee in full of any indemnity contained in this Section 13, it shall be subrogated to any rights of the individual or corporation indemnified in respect of the matter against which indemnity has been given.

(c) Notices. Lessee shall give the notice required in Section 5(b) hereof.

SECTION 14. EVENTS OF DEFAULT; COMPLIANCE CERTIFICATE. The following events shall constitute Events of Default (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) Lessee shall fail to make any payment of Interim Rent, Basic Rent or Special Rent or any payment of Stipulated Loss Value or Termination Value when the same shall become due or shall fail to make any Supplemental Payment (other than Stipulated Loss Value or Termination Value payments) within 5 days after demand by the party entitled thereto; or

(b) Lessee shall fail to perform or observe any covenant contained in Sections 4(b), 6, 8(d) or 12 hereof; or

(c) Lessee shall fail to perform or observe any covenant, condition or agreement to be performed or observed by Lessee hereunder or under the Participation Agreement or in any agreement or certificate furnished Lessor or any Investor

in connection herewith or therewith or pursuant hereto or thereto, and such failure shall continue unremedied for a period of 30 days after Lessee becomes aware of such failure; or

(d) any representation, warranty or certification made by Lessee herein, in the Participation Agreement or in any document or certificate furnished Lessor or any Investor in connection herewith or therewith or pursuant hereto or thereto shall, in any material respect, be incorrect when made or breached; or

(e) the Lessee shall fail to make when due any payment on indebtedness for borrowed money or payment on a capitalized lease, in either case in excess of \$5,000,000; or an event of default under any mortgage, indenture of trust or other agreement evidencing the indebtedness of Lessee for borrowed money or rents payable under a capitalized lease, in either case in excess of \$5,000,000 shall have occurred and be continuing the effect of which has been to cause such indebtedness or the rents under such lease to become due prior to its stated maturity; or

(f) if Lessee becomes insolvent or bankrupt or admits in writing its inability to pay its debts as they may mature or fails generally to pay its debts when due, or makes an assignment for the benefit of creditors, or applies for, or consents to the appointment of, a custodian, a trustee or receiver for Lessee or for the major part of the property of Lessee, or Lessee shall make any voluntary assignment or transfer of Lessee's interest as Lessee hereunder in a manner or to a person not permitted by the terms hereof; or

(g) if a custodian, a trustee or receiver is appointed by a court or other tribunal for Lessee or for the major part of the property of Lessee and is not discharged within 30 days after such appointment; or

(h) if bankruptcy, reorganization, arrangements, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors, are instituted by or against Lessee and if instituted against Lessee are allowed or are consented to or are not dismissed within 30 days after such institution; or

(i) if final judgment or judgments for the payment of money aggregating in excess of \$5,000,000 is or are outstanding against Lessee and the judgment or judgments in such amount or more have been outstanding for more than 60 days from the date of their entry and have not been discharged in full or stayed.

On or before the date 120 days after the end of each fiscal year of Lessee, Lessee will deliver to Lessor, the Security Trustee and to each Investor a written statement signed by the General Manager or the Manager of Finance and Accounting of Lessee, stating that a review of the activities of Lessee and its performance under this Lease during the relevant preceding period has been made by Lessee and that, to the best of his knowledge, based on such review, no Default or Event of Default has occurred and is continuing, or if such shall not be the case, specifying each such Default or Event of Default or other event known to him and the nature and status thereof. In addition, immediately upon becoming aware of the existence of any condition or event which constitutes a Default or Event of Default, Lessee will deliver to Lessor, the Security Trustee and each Investor a written notice specifying the nature and period of existence thereof and what action Lessee is taking or proposes to take with respect thereto.

SECTION 15. REMEDIES. Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, Lessor may, at its option, declare this Lease to be in default and at any time thereafter, so long as Lessee shall not have remedied all outstanding Events of Default, Lessor may do one or more of the following as Lessor in its sole discretion shall elect, to the extent permitted by, and subject to compliance with any mandatory requirements of, applicable law then in effect:

(a) Lessor, at its option, may terminate this Lease with respect to any Item of Equipment, and whether or not this Lease has been so terminated, may enter the premises of Lessee or any other party to take immediate possession of the Equipment and remove all or any Item of Equipment by summary proceedings or otherwise or cause Lessee to deliver possession of the Equipment or such Item in the same manner as provided in the first paragraph of Section 20(c) hereof and store and maintain the Equipment or such Item in the manner set forth in the second paragraph of Section 20(c), all without liability to Lessor for or by reason of such entry or taking of possession, whether for the restoration of damage to property caused by such taking or otherwise;

(b) sell the Equipment or any Item of Equipment at public or private sale, as Lessor may determine, free and clear of any rights of Lessee and without any duty to account to Lessee with respect to such sale or for the proceeds thereof (except to the extent required by subsection (e) below if Lessor elects to exercise its rights under said subsection), in which event Lessee's obligation to pay Basic Rent hereunder with respect to the Equipment or Item of Equipment sold for Lease Periods commencing after the date of such sale shall terminate (except to the extent that Basic Rent is to be included in computations under subsection (d) or subsection (e) below if Lessor elects to exercise its rights under either of said subsections);

(c) hold, keep idle or lease to others the Equipment or any Item of Equipment, as Lessor in its sole discretion may determine, free and clear of any rights of Lessee and without any duty to account to Lessee with respect to such action or inaction or for any proceeds with respect thereto, except that Lessee's obligation to pay Basic Rent for Lease Periods commencing after Lessee shall have been deprived of possession pursuant to this Section 15 shall be reduced by the net proceeds, if any, received by Lessor from leasing the Equipment or such Item to any person other than Lessee for the same Lease Periods or any portion thereof;

(d) whether or not Lessor shall have exercised, or shall thereafter at any time exercise, any of its rights under subsection (a), (b) or (c) above, Lessor, by written notice to Lessee specifying a payment date, may demand that Lessee pay to Lessor, and Lessee shall pay to Lessor, on the payment date specified in such notice, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Rent due for any Lease Period commencing after the payment date specified in such notice), any unpaid Interim Rent, Basic Rent and Special Rent due for the full periods prior to the Lease Period next succeeding the payment date specified in such notice plus whichever of the following amounts Lessor, in its sole discretion, shall specify in such notice (together with interest on such amount at the rate per annum borne by the Notes from the payment date specified in such notice to the date of actual payment): (i) an amount equal to the excess, if any, of the Termination Value of the Equipment, computed as of the next succeeding Lease Payment Date, over the fair market rental value (computed as hereafter in this Section provided) of the Equipment for the remainder of the then current Term after discounting such fair market rental value semiannually (effective on the Lease Payment Dates) to present worth as of the payment date specified in such notice at 9% per annum; or (ii) an amount equal to the excess, if any, of the Stipulated Loss Value of the Equipment computed as of the next succeeding Lease Payment Date over the fair market sales value of the Equipment (computed as hereafter in this Section provided) as of the payment date specified in such notice;

(e) if Lessor shall have sold the Equipment or any Item of Equipment, pursuant to subsection (b) above, Lessor, in lieu of exercising its rights under subsection (d) above with respect to the Equipment or such Item, may, if it shall so elect, demand that Lessee pay to Lessor, and Lessee shall pay to Lessor, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Rent due for any Lease Period commencing after the Lease Period in which such sale occurs), any unpaid Interim Rent, Basic Rent and Special Rent due for periods up to and including the Lease

Period in which such sale occurs plus the amount of any deficiency between the net proceeds of such sale and the Stipulated Loss Value of the Equipment or such Item, computed as of the Lease Payment Date next following the date of such sale, together with interest at a rate equal to the lesser of (A) the rate of (i) 17-1/2% until April 1, 1982 and (ii) thereafter 1% per annum in excess of the highest rate borne by the Notes for any part of such period or (B) the maximum rate permitted by applicable law in either case on the amount of such deficiency from the Lease Payment Date as of which such Stipulated Loss Value is computed until the date of actual payment; and

(f) Lessor may exercise any other right or remedy which may be available to it under applicable law or proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof or to rescind this Lease.

In addition, Lessee shall be liable, except as otherwise provided above, for any and all unpaid Rent and unpaid Supplemental Payments due hereunder before or during the exercise of any of the foregoing remedies and for all legal fees (including attorneys' fees incurred in any and all judicial and other governmental proceedings, including appellate proceedings, whether such proceedings arise before or after entry of final judgment) and other costs and expenses incurred by Lessor, the Security Trustee or any Investor by reason of the occurrence of any Event of Default or the exercise of Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the surrender of the Equipment in accordance with Section 8 hereof or in placing the Equipment in the condition required by said Section. For the purpose of subsection (d) above, the "fair market rental value" or the "fair market sales value" of the Equipment shall mean such value as determined by mutual written agreement of Lessor and Lessee or, upon request by Lessor at any time prior to such mutual agreement, by the Appraisal Procedure; provided, however, that if such Appraisal Procedure shall not fix such fair market value prior to the date set for payment, Lessee shall pay on such date damages based on Lessor's determination of such value, subject to refund from Lessor of any excess payment determined as a result of completion of the Appraisal Procedure. Such fair market sales value and such fair market rental value shall be determined on the basis of, and shall equal in amount the value which would obtain in an arm's length transaction between, an informed and willing buyer or lessee (other than a lessee currently in possession) and an informed and willing seller or lessor under no compulsion to sell or lease and willing to buy or lease the Equipment immediately. At any sale pursuant to this Section, Lessor or any Investor may bid for and purchase the Equipment. Except as otherwise expressly provided above, no remedy referred to in this Section is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to Lessor

at law or in equity; and the exercise or beginning of exercise by Lessor of any one or more of such remedies shall not preclude the simultaneous or later exercise by Lessor of any or all of such other remedies, provided, however, that Lessor may not exercise its cumulative remedies to recover monetary damages more than once with respect to any Item of Equipment. No express or implied waiver by Lessor of any Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Event of Default. To the extent permitted by applicable law, Lessee hereby waives any rights now or hereafter conferred by statute or otherwise which may require Lessor to sell, lease or otherwise use the Equipment in mitigation of Lessor's damages as set forth in this Section or which may otherwise limit or modify any of Lessor's rights and remedies in this Section.

SECTION 16. LESSOR'S AND OWNER'S RIGHT TO PERFORM FOR LESSEE. If Lessee fails to make any Supplemental Payment required to be made by it hereunder or fails to perform or comply with any of its agreements contained herein, Lessor or the Owner may itself make such payment or perform or comply with such agreement, and the amount of such payment and the amount of the reasonable expenses of Lessor or the Owner incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, together with interest thereon at a rate equal to the lesser of (A) the rate of (i) 17-1/2% until April 1, 1982 and (ii) thereafter 1% per annum in excess of the highest rate borne by the Notes for any part of such period or (B) the maximum rate permitted by applicable law, shall, if not paid by Lessee to Lessor or the Owner on demand, be deemed a Supplemental Payment hereunder; provided, however, that no such payment, performance or compliance by Lessor or the Owner shall be deemed to cure any Default or Event of Default hereunder.

SECTION 17. FURTHER ASSURANCES. (a) Lessee, at its own expense, will cause this Lease, the Indenture and any assignment hereof or thereof to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303 and in Connecticut. Lessee will undertake the filing, registering, deposit, and recording required of Lessor under the Indenture and will promptly and duly execute and deliver to Lessor, the Security Trustee and the Investors such other documents and assurances, including, without limitation, amendments to the Schedules hereto, conveyances and financing statements and take such further action as Lessor, the Security Trustee, or the Investors may from time to time reasonably request in order to carry out more effectively the intent and purpose of this Lease and to establish and protect the rights and remedies created or intended to be created in favor of Lessor, the Security Trustee and the Investors hereunder, to establish and perfect Lessor's title to the Equipment and to create for the benefit of the holders of the Notes a valid first and prior perfected security interest in the Trust Indenture Estate including, without limitation, if requested by Lessor, the Security

Trustee, or any Investor, at the expense of Lessee, the recording or filing of counterparts hereof, or of such other documents with respect hereto, in accordance with the laws of such jurisdictions, as Lessor, the Security Trustee, or any Investor may from time to time reasonably request and furnish to Lessee.

(b) Lessee agrees at its own expense to furnish to Lessor, each Investor and the Security Trustee (i) promptly after the execution and delivery of this Lease or any supplement or amendment hereto and promptly after the execution and delivery of the Trust Agreement and the Indenture and any supplement or amendment thereto, an opinion of counsel satisfactory to Lessor, each Investor and the Security Trustee and who may be counsel to Lessee stating that in the opinion of such counsel, this Lease, or such supplement or amendment hereto, the Trust Agreement and the Indenture or such supplement or amendment thereto (or a financing statement, continuation statement or similar notice thereof if and to the extent required by applicable law) has been properly recorded or filed for record with the Interstate Commerce Commission pursuant to 49 U.S.C. §11303 and that no other recording or filing is necessary to provide notice enforceable against all persons of such documents; and (ii) in the event that any Item of Equipment is removed from the United States during the Term of this Lease, an opinion of counsel satisfactory to Lessor, each Investor and the Security Trustee and who may be counsel to Lessee stating that this Lease, the Trust Agreement and the Indenture (or financing statements or similar notices thereof if and to the extent required by applicable law) have been properly recorded or filed for record in all public offices in which such recording or filing is necessary to protect the right, title and interest of Lessor hereunder and to perfect the lien and security interest provided by the Indenture as a valid first lien with respect to, and prior perfected security interest in, the Trust Indenture Estate, and stating the requirements of applicable law with respect to the re-recording or re-filing of this Lease, the Trust Agreement and the Indenture (or financing statements, continuation statements or similar notices thereof to the extent required by applicable law) in order to protect and maintain such rights, titles and interests of Lessor and the Security Trustee.

In rendering the opinion set forth in item (i) as to the filing of documents with the Interstate Commerce Commission, Lessee's counsel may rely on the opinion of Messrs. Wilmer & Pickering or other counsel acceptable to the Lessor and the Security Trustee.

SECTION 18. NOTICES. All notices required under the terms and provisions hereof shall be in writing, and any such notice shall be deemed given when deposited in the United States mails, with proper postage prepaid, for first class certified mail, return receipt requested, addressed to the address of the

appropriate party for purposes of notice hereunder. Any such notice shall be addressed (i) if to Lessee, to it at P.O. Box 908, Bloomington, Indiana 47401, Attention: General Manager, or at such other address or addresses as Lessee shall from time to time designate in writing to Lessor and Owner, (ii) if to Owner, to it at One Washington Mall, Boston, Massachusetts 02108, Attention: Vice President-Administration, or at such other address as the Owner shall from time to time designate in writing to Lessee, (iii) if to the Lessor, to it at One Constitution Plaza, Hartford, Connecticut 06115 Attention: Corporate Trust Department, or such other address as the Lessor shall from time to time designate in writing to Lessee with copies to the Owner at the address set forth above, (iv) if to the Security Trustee, to it at One Merchants Plaza, Indianapolis, Indiana 46204, Attention: Corporate Trust Department, or (v) the Lender, to it at its address provided for in the Participation Agreement, or at such other address as the Lender shall from time to time designate in writing to Lessor and Lessee.

SECTION 19. SUCCESSOR TRUSTEE. In the case of the appointment of any successor trustee, separate trustee, or co-trustee pursuant to the terms of the Trust Agreement, such successor trustee, separate trustee, or co-trustee shall, upon written notice by such successor trustee to Lessee, succeed to all the rights, powers and title of Lessor hereunder and shall be deemed to be Lessor and the legal owner of the Equipment for all purposes hereof. No such appointment of any successor trustee, separate trustee, or co-trustee shall require any consent or approval by Lessee or shall in any way alter the terms of this Lease or Lessee's obligations hereunder. The appointment of one successor trustee, separate trustee or co-trustee shall not exhaust the right to appoint further successor trustees, separate trustees, and co-trustees pursuant to the Trust Agreement, but such right may be exercised repeatedly as long as this Lease may be in effect.

SECTION 20. LESSEE'S PURCHASE AND RENEWAL OPTIONS; LESSEE'S AND LESSOR'S OBLIGATIONS AT END OF TERM; APPRAISAL.

(a) Lessee's Renewal Option. If (i) no Default or Event of Default shall have occurred and be continuing and (ii) this Lease shall not have been earlier terminated, Lessee shall be entitled, at its option upon written notice to Lessor at least 180 days prior to the expiration of the Basic Term or the first Renewal Term, to renew this Lease with respect to all, but not less than all, Items of Equipment for a Renewal Term of thirty months commencing at the expiration of the Basic Term or Renewal Term. This renewal option shall be limited to a total of two Renewal Periods. All of the provisions of the Lease shall be applicable during any Renewal Term for the Equipment, except that, during such Renewal Term, Basic Rent shall be the fair market rental value of the Equipment, insurance shall be maintained under Section 12(a) hereof in an amount not less than the fair market

sales value of the Equipment but otherwise in accordance with Section 12 hereof, and the Stipulated Loss Value and the Termination Value during such Renewal Term shall be the then fair market sales value of the Item of Equipment.

(b) First Offer. So long as no Default or Event of Default shall have occurred and be continuing, if Lessee does not give notice of renewal pursuant to paragraph (a) of this Section 20 and Lessor proposes to sell any Item of Equipment at the expiration of the Basic Term or a Renewal Term or within the 90 day period following such expiration, as the case may be, Lessor shall first offer to sell such Item of Equipment to Lessee by giving Lessee notice of its intent to sell such Item. Within fifteen days of such notice, Lessee shall give Lessor a written notice of its interest in purchasing such Item of Equipment. Lessor may solicit from independent third parties bona fide offers to purchase such Item. Provided Lessor still proposes to sell such Item at the expiration of the Basic Term or within the 90-day period thereafter, Lessor shall offer to sell such Item of Equipment to Lessee at the fair market sales value determined in accordance with Section 20(d) hereof plus any applicable sales, excise or other taxes imposed as a result of such sale (other than gross or net income taxes attributable to such sale). Within fifteen days of such offer, Lessee may elect to purchase such Item, but not less than all Items covered by any offer described in the first sentence of this paragraph by giving Lessor a written notice of election to purchase said Equipment. If Lessee elects not to purchase any Item of Equipment, Lessor shall be free to sell any Item of Equipment at any time thereafter without any further duty of Lessor to first offer such Equipment to Lessee.

(c) Lessee's and Lessor's Obligations at End of Term. If at the end of the Term Lessee shall not have exercised any of its options set forth in subsections (a) and (b) above and Lessor shall so direct, then Lessee shall, within 60 days after the end of such Term, at Lessee's cost and expense and using due care, deliver possession of the Equipment to Lessor upon such storage tracks of Lessee as Lessor may designate, or, in absence of such designation, such storage tracks of Lessee or a railroad company as Lessee may select. Pending delivery of possession as above provided, all of the obligations of Lessee hereunder (except the obligation to pay Basic Rent) shall continue in force and effect. Lessee agrees to pay fair market rental value for the Equipment for any period commencing 60 days after such Term and ending the date of delivery of possession. Lessee shall permit Lessor to store the Equipment on such tracks for a period not exceeding 90 days following notification to Lessor by Lessee that all Items of Equipment have been assembled and delivered for storage and shall transport the same, at any time within such 90-day period to any connecting carrier for shipments to one designation within the Continental United States all as directed by Lessor, the movement and storage of the Equipment to be at the expense and risk of Lessee

(including the insurance required by Section 12 hereof). During any such storage period Lessee will permit Lessor or any person designated by it, including the authorized representatives of any prospective purchaser, lessee or user of the Equipment, to inspect the same.

In the event of a termination of the Lease as a result of an Event of Default, Lessee shall, at Lessor's request, provide storage, insurance, and maintenance of the Equipment in accordance with Section 8(a), all at Lessee's risk and expense for a period of 12 months following such termination and shall provide for transportation of the Equipment as provided in the above paragraph.

The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, Lessor shall be entitled to a decree against Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

(d) Determination of Fair Market Sales Value and Fair Market Rental Value. To enable Lessee and Lessor to make an informed judgment with respect to the foregoing options, and to establish the fair market sales value or fair market rental value of the Equipment or any part thereof as of the end of the Basic Term, either Lessee or Lessor may notify the other in writing, not less than one year prior to the expiration of such Term, that the notifying party desires a determination of the fair market sales value or fair market rental value of such Equipment as of the end of such Term. If the fair market rental value shall be determined, the fair market sales value shall also be determined in order that Stipulated Loss Values may be properly computed for the Renewal Term. Thereafter, Lessor and Lessee shall consult for the purpose of determining the fair market rental value and/or fair market sales value, as the case may be, of such Equipment as of the end of such Term, and any values agreed upon in writing shall constitute such fair market rental value or fair market sales value for the purposes of this Section 20. If Lessor and Lessee fail to agree upon such values prior to 10 months before the expiration of such current Term, either party may request that such values be determined by the Appraisal Procedure. Such request for a determination of fair market rental value or fair market sales value shall not obligate the requesting party to exercise any of its options provided in this Section 20 but, whether or not any of such options are exercised, Lessee and the Owner each agree to pay the costs and expenses of their own appraisers and to share equally all costs and expenses of any third appraiser required pursuant to this subsection. For all purposes of this Section 20, fair market sales value and fair market rental value shall be determined on the basis of, and shall equal in value, the amount which would obtain in an arm's-length transaction between an informed and willing

buyer-user or lessee (other than a used equipment or scrap dealer) and an informed and willing seller or lessor under no compulsion to sell or lease.

SECTION 21. MERGER AND ASSIGNMENT; MODIFICATION AND RIGHT TO EXERCISE REMEDIES. (a) Merger and Assignment. While this Lease shall be in effect, Lessee will not, without the consent of Lessor and the Security Trustee, consolidate or combine with, merge into or sell all or substantially all of its assets to any other person or permit any other person to consolidate or combine into it or acquire all or substantially all of its assets; provided, however, that the foregoing restriction shall not apply to the merger or consolidation or combination or acquisition of all or substantially all of the assets of the Lessee with or by another corporation in its entirety, if:

(1) the corporation which results from such merger, acquisition or consolidation (the "surviving corporation") is organized under the laws of the United States or a jurisdiction thereof and is subject to a mortgage agreement with the REA; and

(2) the due and punctual payment of the Rent hereunder and observance of all the covenants in this Lease and the other Operative Documents (as defined in the Participation Agreement) to which Lessee is a party to be performed or observed by Lessee are expressly assumed in writing by the surviving corporation.

Lessee will not assign any of its rights hereunder, except as provided in Section 8 hereof. The rights and obligations of Lessor and Lessee hereunder shall inure to the benefit of, and be binding upon, the successors and assigns of Lessor and Lessee, respectively.

(b) Modification and Right to Exercise Remedies. Unless and until Lessee shall have received written notice from the Security Trustee that the lien of the Indenture on the Trust Indenture Estate has been released in its entirety (i) no amendment or modification of, or waiver by or consent of Lessor in respect of, any of the provisions of this Lease (except amendments or supplements incorporating additional Equipment hereunder or adjusting the Rent, Stipulated Loss Values or Termination Values pursuant to Section 3(f) hereof or increasing the amount of Basic Rent payable hereunder or increasing the percentages determining Stipulated Loss Value or Termination Value or setting forth revisions to the amount of Equipment Cost and any other amendment, modification, waiver or consent which will not in any way whatsoever affect adversely any rights of the Security Trustee or holders of Notes) shall be effective unless the Security Trustee shall have joined in such amendment, modification, waiver or consent or shall have given its prior written consent thereto, and (ii) except as otherwise provided in the Indenture, during the continuance of any Event of Default the Security Trustee shall have the sole right to exercise all rights, privileges and remedies

(either in its own name or in the name of Lessor for the use and benefit of the Security Trustee) of Lessor hereunder.

SECTION 22. TRUST INDENTURE ESTATE AS SECURITY FOR LESSOR'S OBLIGATIONS TO HOLDERS OF NOTES. In order to secure the indebtedness evidenced by the Notes, Lessor provides in the Indenture, among other things, for the assignment by Lessor to the Security Trustee of this Lease and for the creation of a security interest with respect to the Trust Indenture Estate in favor of the Security Trustee. Lessee hereby consents to the assignment of Lessor's right, title and interest in and to this Lease and the Equipment to the Security Trustee pursuant to the terms of the Indenture. Lessor hereby directs and lessee hereby agrees that, so long as the Indenture shall be in effect, Lessee will make all payments due hereunder (other than as expressly provided herein) to the Security Trustee at One Merchants Plaza, Indianapolis, Indiana 46204, or as the Security Trustee shall otherwise direct. Lessee's obligation to pay all Rent and Supplemental Payments payable hereunder shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right which Lessee may have against Lessor, the Security Trustee, any Investor, or anyone else for any reason whatever, (ii) any defect in the title, compliance with specifications, condition, design, operation, or fitness for use of, or any damage to or loss or destruction of, the Equipment, or (iii) any interruption or cessation in the use or possession of the Equipment by Lessee for any reason whatever. Lessee waives, to the extent permitted by applicable law, any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Lease except in accordance with the express terms hereof. Each Rent payment or Supplemental Payment made by Lessee shall be final and Lessee will not seek to recover all or any part of such payment from Lessor, the Security Trustee or any Investor for any reason whatsoever (other than a failure by the Security Trustee to apply such payment as provided in the Indenture).

Upon notice by the Security Trustee pursuant to Section 9.04(c) of the Indenture, Lessor and Lessee shall enter into a separate instrument in the form hereof covering any Item or Items of Equipment which the Security Trustee shall in such notice specify are no longer assigned to the Security Trustee to secure the Notes and thereafter such Item or Items of Equipment and the Rent, Supplemental Payments and related rights with respect thereto shall be excluded from this Lease. This paragraph shall have no force or effect until such time, if ever, any such notice shall have been received by the parties hereto. Lessor and Lessee shall comply with the provisions of the first paragraph of this Section 22 with regard to each Item of Equipment and all payments hereunder until receipt of any such notice from the Security Trustee.

SECTION 23. APPROVAL BY THE REA AND THE LOUISVILLE BANK FOR COOPERATIVES. The obligations of Lessee and Lessor under this Lease are conditioned upon receipt of all necessary approvals from the REA and the Louisville Bank for Cooperatives which are required pursuant to the Mortgage.

SECTION 24. DISCLAIMER OF WARRANTIES. NEITHER LESSOR, THE SECURITY TRUSTEE, NOR ANY INVESTOR SHALL BE DEEMED TO HAVE MADE ANY WARRANTIES, EXPRESS OR IMPLIED, AS TO THE CONDITION, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, COMPLIANCE WITH SPECIFICATIONS, TITLE OR ANY OTHER MATTER CONCERNING THE EQUIPMENT OR ANY OTHER WARRANTIES WHATSOEVER. LESSEE HEREBY WAIVES ANY CLAIM IT MIGHT HAVE AGAINST LESSOR, THE SECURITY TRUSTEE, OR ANY INVESTOR FOR ANY LOSS, DAMAGE OR EXPENSE CAUSED BY THE EQUIPMENT OR BY ANY DEFECT THEREIN, USE OR MAINTENANCE THEREOF, OR SERVICING OR ADJUSTMENT THERETO AND, AS TO LESSOR, LEASES THE EQUIPMENT AS-IS. Lessee acknowledges that Lessor is not a dealer in equipment of any kind, and that Equipment subject to this Lease is of a type, size, design and capacity selected solely by Lessee. If the Equipment does not operate as represented or warranted by the manufacturer or seller thereof, or is unsatisfactory for any reason, no such occurrence shall relieve Lessee of any of its obligations hereunder.

SECTION 25. MISCELLANEOUS. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law Lessee hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect. Subject to the provisions of Sections 3(f) and 22, no term or provision of this Lease may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. This Lease shall constitute an agreement of lease, and nothing herein shall be construed as conveying to Lessee any right, title or interest in any of the Equipment except as a lessee only. Except as otherwise expressly provided herein, all computations of interest and amounts equivalent to interest under this Lease shall be made on the basis of actual days elapsed in a 360-day year. It is the intention of the parties that no interest shall be charged or collected in excess of the maximum rate or amount permitted by applicable law and any such excess interest charged or collected shall be automatically credited toward amounts owed the Lessor by the Lessee, or at the option of Lessee if such excess interest has been collected, such excess interest shall be refunded to the Lessee. Notwithstanding any provision hereof to the contrary, any payment of Rent or any Supplemental Payment due on a day which is not a Business Day may be paid on the next day which is a Business Day without interest for the period from such due date to such date of payment.

The assumption of liability and indemnities by Lessee hereunder, including without limitation those set forth in Sections 3(g), 4, 7 and 13 hereof, do not guarantee to any person a residual value in the Equipment nor do they guarantee payment of the Notes or any interest accrued thereon. The captions in this Lease are for convenience of reference only and shall not define or limit any of the terms or provisions hereof. This Lease shall in all respects be governed by, and construed in accordance with, the laws of the State of Indiana, including all matters of construction, validity and performance. This Agreement may be simultaneously executed in counterparts, each of which, when so executed and delivered, shall constitute an original, fully enforceable counterpart for all purposes.

The manually executed counterparts of this Lease are serially numbered from 1 to 12. No security interest in or assignment of this Lease may be created or effected except by the transfer or possession of Counterpart No. 1. Any security interest created in this lease by possession or transfer by Counterpart No. 1 is subject to and subordinate to the security interests created by a Trust Indenture and Security Agreement Dated as of January 1, 1981 between The Connecticut Bank and Trust Company, Owner Trustee, and Merchants National Bank & Trust Company of Indianapolis, Security Trustee.

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease to be duly executed by a duly authorized officer as of the day and year first above written.

THE CONNECTICUT BANK AND TRUST COMPANY,
not individually but solely as Trustee
of Hoosier Energy Trust No. 81-1

(CORPORATE SEAL)

By: 

Its

CLARK M. WHITE
ASSISTANT VICE PRESIDENT

HOOSIER ENERGY RURAL ELECTRIC
COOPERATIVE, INC.,

(CORPORATE SEAL)

By: 

Its

Div Manager Finance and
Accounting

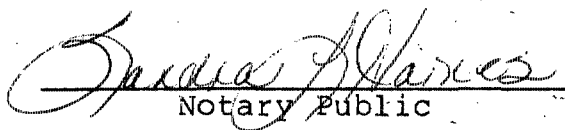
STATE OF ILLINOIS

SS.:

COUNTY OF COOK

BEFORE ME, the undersigned authority, on this day personally appeared CLARK M. WHITCOMB, a ASSISTANT VICE PRESIDENT of THE CONNECTICUT BANK AND TRUST COMPANY, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, as the act and deed of said corporation, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 26th day of January, 1981.


Notary Public

Seal

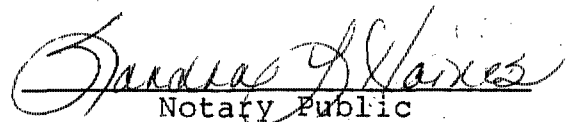
STATE OF ILLINOIS

SS.:

COUNTY OF COOK

BEFORE ME, the undersigned authority, on this day personally appeared JAMES G. PAULUK, a ^{DIVISION MANAGER OF} ~~FINANCE AND ACCOUNTING~~, of HOOSIER ENERGY RURAL ELECTRIC COOPERATIVE, INC., known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, as the act and deed of said corporation, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 26th day of January, 1981.


Notary Public

Seal

SCHEDULE A

DESCRIPTION OF EQUIPMENT

<u>Quantity</u>	<u>Description</u>	<u>Serial Number or Numbers</u>
	Manufacturer:	
103	Ortner Freight Car Company Gondola Coal Cars	HECX80000 through HECX80102, inclusive

SCHEDULE B

STIPULATED LOSS VALUES

TERMINATION VALUES

Basic Term Lease Payment Date Number	Stipulated Loss Value %	Termination Value %
Interim	104.467106	
1	106.334280	
2	108.001291	
3	106.549678	
4	107.376702	
5	108.023483	
6	108.542681	
7	108.893339	
8	109.118645	
9	109.184062	
10	109.126484	
11	108.918298	
12	108.590262	
13	108.156401	
14	107.602613	
15	106.914993	104.684661
16	106.111990	103.836678
17	105.187937	102.866738
18	104.156089	101.788077
19	102.099618	99.547157
20	99.830488	96.300425
21	96.466128	92.864873
22	92.895976	89.222093
23	89.173289	85.425315
24	85.275766	81.452205
25	81.228350	77.327677
26	76.997611	73.018272
27	72.610563	68.550969
28	68.019719	63.878255
29	63.280382	59.055395
30	58.322321	54.012126
31	53.225878	48.828758
32	47.904899	43.419101
33	42.443361	37.867096
34	36.744743	32.076187
35	30.739359	25.976650
36	24.293804	19.435044

SCHEDULE C
BASIC RENT PERCENTAGES

Basic Term
Lease Payment Date
Number

Percentage of
Equipment Cost

1-18
19-36

5.993791%
7.325736%

EXHIBIT A

TO LEASE

LEASE SUPPLEMENT NO. _____

This LEASE SUPPLEMENT NO. _____, dated as of _____, 198____, between THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, as trustee under the Trust Agreement dated January 1, 1981 (the "Trust Agreement"), between the Owner named therein and said trustee and known as HOOSIER ENERGY TRUST NO. 81-1 (herein, in its capacities as such trustee, being called "Lessor") and HOOSIER ENERGY RURAL ELECTRIC COOPERATIVE, INC., an Indiana corporation ("Lessee").

WITNESSETH:

WHEREAS, Lessor and Lessee have heretofore entered into that certain Equipment Lease Agreement dated as of January 1, 1981 (herein called the "Lease" and the terms defined therein being hereinafter used with the same meaning), which Lease provides for the execution and delivery from time to time of Lease Supplements substantially in the form hereof for, among other things, the purpose of incorporating additional Equipment under the Lease, removing Equipment from the Lease, confirming any change in Basic Rent (determined in accordance with Section 3(f) of the Lease) or the items or amounts comprising Equipment Cost or setting forth Stipulated Loss Value and Termination Value;

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, Lessor and Lessee hereby agree as follows:

*1. From and after the date hereof, "Equipment" as defined in the Lease includes

*2. The Basic Rent payable on each Lease Payment Date under the Lease is that percentage of Equipment Cost set forth opposite such Lease Payment Date in Exhibit A hereto. For purposes of determining the foregoing percentage, the Owner has determined pursuant to the provisions of Section 3(f) of the Lease that

*3. The Equipment Cost is \$_____.

*4. Schedule A to the Lease, showing the composition of the Equipment and Equipment Cost, is hereby amended to read in full as attached hereto.

*5. Schedule B to the Lease, showing Stipulated Loss Values and Termination Values, is hereby amended to read in full as attached hereto.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Lease Supplement to be duly executed as of the day and year first above written and to be delivered in the State of Indiana.

THE CONNECTICUT BANK AND TRUST COMPANY,
AS TRUSTEE OF HOOSIER ENERGY
TRUST NO. 81-1

By: _____

Its _____

(Corporate Seal)

HOOSIER ENERGY RURAL ELECTRIC
COOPERATIVE, INC.,

By: _____

Its _____

(Corporate Seal)

*Depending upon the purpose for which the Lease Supplement is executed, any numbered paragraph may be included, omitted or renumbered, as appropriate.

EXHIBIT A
TO LEASE SUPPLEMENT NO. _____

BASIC RENT PERCENTAGES

Basic Term
Lease Payment Date
Number

Percentage of
Equipment Cost

1-18
19-36

STATE OF _____

SS

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____, a _____ of THE CONNECTICUT BANK AND TRUST COMPANY, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, as the act and deed of said corporation, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____ day of January, 1981.

Notary Public

Seal

STATE OF _____

SS

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared _____, a _____, of HOOSIER ENERGY RURAL ELECTRIC COOPERATIVE, INC., known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, as the act and deed of said corporation, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____ day of January, 1981.

Notary Public

Seal

EXHIBIT B

CERTIFICATE OF ACCEPTANCE

The undersigned, HOOSIER ENERGY RURAL ELECTRIC COOPERATIVE, INC. (the "Lessee"), hereby certifies, in accordance with the Participation Agreement, dated as of January 1, 1981 (the "Participation Agreement"), among the Lessee, NEW ENGLAND MERCHANTS LEASING CORPORATION B-7, as Owner (the "Owner"), the Lender listed in Schedule A thereto, THE CONNECTICUT BANK AND TRUST COMPANY, as Owner Trustee (the "Owner Trustee"), and MERCHANTS NATIONAL BANK & TRUST COMPANY OF INDIANAPOLIS, as Security Trustee, that:

(i) It has inspected, received, approved and accepted on the date set forth below the Item or Items of Equipment described in Schedule A hereto (the "Equipment") upon the terms and conditions set forth herein and in the Lease (as defined in the Participation Agreement);

(ii) Annexed hereto as Exhibit A is a true and correct copy of invoices relating to the Equipment totalling \$_____;

(iii) Said invoices are true and correct in all respects;

(iv) As of the date of this Certificate of Acceptance, there has not occurred any material adverse change since December 31, 1979 in the business, assets or financial condition of the Lessee;

(v) On or prior to the Drawdown Date (as defined in the Participation Agreement) with respect to the Item or Items of Equipment referred to in subparagraph (i) hereof, the Lessee shall have performed all conditions within its capacity to perform required as a condition for the payment in respect of Equipment Cost on such date in accordance with the terms of the Participation Agreement;

(vi) The representations and warranties of the Lessee contained in the Participation Agreement are true and correct on the date hereof as if made on and as of the date hereof and Lessee has performed all of its agreements contained therein to be performed by it at or prior to the time hereof; and that no Default or Event of Default under, and as defined in, the Lease referred to in the Participation Agreement has occurred and is continuing; and

(vii) After giving effect to the acceptance of Items of Equipment pursuant to any and all Certificates of Acceptance previously delivered and pursuant to this Certificate of Acceptance, there remains available sufficient funds which the Investors (as defined in the Lease) have committed to provide pursuant to the Participation Agreement to pay the full amount of Equipment Cost applicable to the Equipment accepted pursuant to this Certificate of Acceptance.

The Lessee's execution and delivery of this Certificate of Acceptance shall conclusively establish, as between the Lessee and the Lessor, without limiting any right Lessee or Lessor may have against the Manufacturer or any other person, that the Equipment is acceptable to and accepted by the Lessee under the Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that the Equipment is in good order and condition and appears to conform to the specifications applicable thereto. By execution and delivery of this Certificate of Acceptance, the Lessee represents that it has no knowledge of any such defect.

The execution of this Certificate will in no way relieve or decrease the responsibility of the Manufacturer of the Equipment for any warranties it has made with respect to the same.

Dated: _____

HOOSIER ENERGY RURAL
ELECTRIC COOPERATIVE, INC.

By _____
Title _____